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ABSTRACT

One of the challenges that faces business and education leaders today is creating an environment in their workplaces and classrooms that is conducive to the "New Realities of Learning." Social capital is a third asset that should be added to the list of key competitive advantages that includes knowledge and human capital. Social capital refers to the quality and depth of relationships among people in any community, a school or an office, a factory or a laboratory. It accrues in each community and organization only to the extent that people share a common sense of trust, loyalty, and values. Since business is struggling with the new realities of learning as well as the old, business has much to share with students about the world they will face when they enter the workforce. This refers not necessarily only to changing technologies, but more to the distinct cultural competencies and diversity that employees have to offer. Business education partnerships are mutually beneficial. They deepen common values and trust--social capital--within the communities businesses serve. The business sector does not have all the answers or all the resources to meet the challenge of the "new realities" of learning. It does, however, have the resources of competent, creative social capital--bright and caring employees who are eager to share with teachers and students in their communities. (YLB)

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NATIONAL ALLIANCE OF BUSINESS

Profiles of Excellence in Business and Education Leadership

INVESTING IN PEOPLE: Building Social Capital

Ralph S. Larsen
Chairman and CEO
Johnson & Johnson

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Profiles of Excellence in Business and Education Leadership is a CEO speech series, produced by the National Alliance of Business that profiles the creative ideas and best thinking of today's top leaders. This issue "Investing in People: Building Social Capital" highlights the address delivered by Mr. Ralph S. Larsen, chairman and CEO, Johnson & Johnson, as he accepted the National Alliance of Business' 2001 Company of the Year Distinguished Performance Award in November 2001.

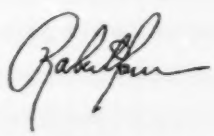
The National Alliance of Business' annual Distinguished Performance Awards recognize individuals, businesses and organizations whose long-term commitment, innovation and accomplishments have resulted in improving education and workforce quality at the national, state and local levels.

As you will read in the pages ahead, Ralph S. Larsen, chairman and CEO, Johnson & Johnson, has challenged American business and education leaders to address "The New Realities of Learning" by building a common sense of trust and shared values in our communities and organizations. For Mr. Larsen, these new realities of learning are not just the theme of the NAB Annual Conference, but are the driving forces shaping how Johnson & Johnson and every other corporation approach their business.

Never before have the skills and knowledge of the workforce had a more significant impact on a company's bottom line. Johnson & Johnson believes the most effective means of ensuring the current and future workforce possesses that mastery is by building social capital—the quality and depth of relationships among people in an organization and a community. Through shared commitments to improve education at all levels, and effective partnerships to achieve that goal, Johnson & Johnson, and other leading companies are investing in people as a means of improving their companies and their communities.

I hope you find this publication informative and thought provoking.

The National Alliance of Business is pleased to highlight the exceptional leadership of Johnson & Johnson and its visionary chairman and CEO, Ralph S. Larsen.



Roberts T. Jones
President and CEO
National Alliance of Business

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The New Realities

I was particularly struck by the somewhat intriguing and very appropriate theme of the National Alliance of Business conference: *New Realities of Learning*. This phrase certainly sums up my personal experience — and probably yours — over the past few years. The speed of change at work and at home is a startling new reality for all of us.

It is very difficult to keep up with, let alone stay ahead of, the ever-quickening pace of change. We are all students in a very dynamic classroom and are expected to learn and adapt to new technologies, business strategies and global paradigms as they come our way. The speed of change has profoundly affected the way we do business, the way we live ... and the way we must assimilate new ideas and information. As such, one of the great challenges that faces us today is creating an environment in our workplaces and classrooms that is conducive to the *New Realities of Learning*. We must learn to absorb the extraordinary flow of information that is generated every day in our conference rooms, our universities, and our laboratories.

Social Capital: A Prized Asset

The *New Realites of Learning* conference brochure stated that "knowledge and human capital are key competitive advantages" -- and I could not agree more.

I would also add a third asset to that list: Social capital.

The term social capital — coined by sociologist James Coleman of the University of Chicago — refers to the quality and depth of relationships between people in any community, a school or an office, a factory or a laboratory.

Social capital accrues in each of our communities and organizations only to the extent that people share a common sense of trust, of loyalty and of values. Although loyalty and trust seem like old-fashioned concepts, fortunately they still

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carry weight in most businesses: loyalty and trust among employees, between employer and employee, between a company and its customers...indeed, between a company and all the other communities it touches.

Although it is hard to quantify shared values as bottom line assets, at Johnson & Johnson we certainly strive to build "social capital" by maintaining a culture where individuals are valued for their honesty, dedication and loyalty. And we certainly recognize the important role our "social capital" will play in adapting to the new realities and formidable challenges of the 21st century.

"Social capital accrues in each of our communities and organizations only to the extent that people share a common sense of trust, of loyalty and of values."

As a decentralized organization with more than 190 business units, "social capital" is essential in binding all of our operations and all of our people together.

As many of you know, Johnson & Johnson has been widely recognized for its corporate culture and reputation. Our culture and reputation provide a number of benefits. Most importantly, our culture and reputation enable us to attract outstanding employees. For consumers, the message is loud and clear — reputation matters at the point of purchase. Equally important, reputation matters for investors, many of whom are now demanding stock portfolios comprising only socially responsible companies.

Building Social Capital through Education

The business community, at least in the United States, has designated education as one of its central social responsibilities. In fact, the National Alliance of Business exists, in part, to help business realize this responsibility. As you know, in the last 10 years, business/education partnerships have been formed at a remarkable pace. In addition, education is now one of the largest categorical recipients of corporate philanthropy.

Business leaders continually debate our role in public education. Some companies have taken leadership roles both nationally and in their own home states or cities — as evident by many of you here in this room today. I applaud you for your leadership.

However, there is much more to be done.

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I suggest that we — both educators and business leaders — can do more to enrich our relationships with educational organizations and communities. Since we in business are struggling with the new realities of learning as well as the old, we have much to share with students about the world they will be facing when they enter the workforce. I am not necessarily referring only to changing technologies, but more to the distinct cultural competencies and diversity that our employees have to offer.

In one of our programs, for example, students are treated as employees during a summer internship program. In this program, they learn about our Standards of Leadership — the core competencies necessary to succeed at Johnson & Johnson. These competencies involve working in teams, using technology, mastering complexity. This real world experience helps prepare students for higher education and to be better citizens. It gives them an in-depth experience in the world of work as well.

"Business education partnerships are mutually beneficial. They deepen common values and trust -- social capital -- within the communities we serve..."

The surprising finding in our evaluation of this program is the praise and enthusiasm for the program communicated by our employees. The students were clearly valued for their work and also for the morale boost they gave to us. The point is that these programs and relationships are mutually beneficial. They deepen common values and trust — social capital — within our companies and within the communities we serve.

As business professionals, we have a great deal to offer. Educators and administrators have only begun to tap the non-monetary resources of business. Beyond philanthropy, businesses- small and large- are often very generous with their social capital.

In New Jersey, our home and the home of many other Fortune 500 companies, business leaders are forging new, innovative relationships with the education community. Under the leadership of the New Jersey Chamber of Commerce, business representatives have actively engaged in creating, challenging and revising the core curriculum content standards. We work side by side with educators with the shared vision of new standards and assessments.

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Sharing Social Assets

Certainly, the business sector does not have all the answers or all the resources to meet the challenge of the "new realities" of learning. We do, however, have the resources of competent, creative social capital — bright and caring employees who are eager to share with teachers and students in their communities.

Since we are talking about reality, I cannot resist closing with a few words about a publication that was written in the 1930s and was not widely circulated. The author was Robert Wood Johnson and the publication was titled "*Try Reality*." Johnson, who was chairman of our company from 1932-1963 stated: "Industry only has the right to succeed where it performs a real economic service and is a true social asset."

This statement has proven to be prophetic for business in general and certainly for our company. Long before "social responsibility" became a common phrase, the idea that companies should serve as positive forces in society had already taken root in the offices of Johnson & Johnson. An expanded version of Robert Wood Johnson's ideas became a document that we call "Our Credo".

The Credo outlines fundamental principles that apply to both corporate and personal behaviors as we carry out our business responsibilities. It has proven

> "Industry only has the right to succeed where it performs a real economic service and is a true social asset."
>
> Robert Wood Johnson, chairman, 1932-1963

over time to be a moral compass that appeals to the ethical aspirations of all kinds of people from all over the globe. It has also proven to be an extraordinary stimulus to the growth of our company's social capital — strengthening a sense of trust and shared values within Johnson & Johnson — and binding us ever more closely to the communities we serve.

It goes without saying that this philosophy still pervades our company culture today. In facing the challenges of the new realities, it is always useful to see the value of some of the old realities. For Johnson & Johnson, the Credo has been an anchor from the past that has helped us to face the future. It has served as our "north star" and has helped us to navigate the complexities and challenges of the new realities facing business, educators and society today.

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In an increasingly knowledge-based society, education is vital to the success of every individual. The National Alliance of Business spearheads the corporate community's efforts to increase achievement at all levels of learning. To meet this goal, the Alliance, along with the business community it represents, partners with policymakers and educators to raise public awareness, inform policy and stimulate action.

By focusing public attention and discourse on improving education systems, impacting public policy, and partnering with educators in communities across the country to stimulate action, corporate leaders will ensure education is a national priority. NAB is the voice of business in this effort.

The Alliance's 5,000 members include companies of all sizes and industries, their CEOs and senior executives, as well as educators, and community leaders. The National Alliance of Business manages a growing network of state and local business coalitions and convenes several national business coalitions including the Business Coalition for Education Reform and Business Coalition for Excellence in Education.

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National Alliance of Business
1201 New York Ave., NW, Washington, D.C. 20005
202-289-2888 (phone) • 1-800-787-2848 (toll free) • 202-289-1303 (fax)
info@nab.com • www.nab.com

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